

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ADJUSTMENT OF RATES OF)	
AUXIER ROAD GAS COMPANY)	CASE NO. 10288-X

O R D E R

On April 10, 1991, in Case Nos. 10288-D and 10288-E, the Commission approved the gas cost adjustment ("GCA") clause of Auxier Road Gas Company, Inc. ("Auxier") allowing for the quarterly adjustment of its rates.

On August 29, 1996, Auxier filed its GCA to be effective October 1, 1996 to January 1, 1997.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Auxier's notice proposed revised rates designed to pass on to its customers the expected decreased gas costs from its suppliers. Auxier's proposed expected gas cost ("EGC") for the quarter beginning October 1, 1996 is \$3.2680 per Mcf.

Auxier's notice included a copy of a sheet provided by its supplier, Alliance Energy Services ("Alliance"), to Johnson County Gas Company, Inc. ("Johnson County") showing estimated citygate prices for natural gas for the months of October, November, and December 1996. Auxier followed its usual practice of using a simple average of the three months' price projections as its expected cost of gas from Alliance. Alliance, however, had included as part of the information on that sheet a citygate weighted average cost of gas

based on Johnson County's historical usage for each of the three months. The methodology used by Alliance is reasonable because it gives more weight to prices expected for months with historically higher usage. Although the average is calculated using Johnson County's historical usage instead of Auxier's, the relative weighting of the prices by higher usage months should be a more accurate projection of the quarter's gas price than the simple average. Alliance's citygate weighted average cost of gas of \$2.9143 per Dth should be used in place of Auxier's proposed \$2.7675. Auxier's EGC should be \$3.3179.

2. Auxier's notice set out no refund adjustment.

3. Auxier's notice set out a current quarter actual adjustment ("AA") of (19.8) cents per Mcf to return over-recovered gas cost from April, May, and June 1996. The total AA of (43.3) cents per Mcf is designed to reflect the current over-collection, as well as over-recoveries from previous periods.

4. Auxier's notice set out a current quarter balance adjustment ("BA") of 1.6 cents per Mcf. The total BA of .2 cent per Mcf includes reconciling BA adjustments from previous quarters.

5. These adjustments produce a gas cost recovery rate of \$2.8869 per Mcf, 20.91 cents per Mcf less than the prior rate.

6. The rate adjustment in the Appendix to this Order is fair, just, and reasonable, in the public interest, and should be effective with service rendered on and after October 1, 1996.


IT IS THEREFORE ORDERED that:

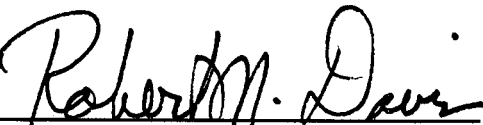
1. The rates proposed by Auxier are hereby denied.
2. The rates in the Appendix to this Order are fair, just, and reasonable and are approved effective for service rendered on and after October 1, 1996.
3. Within 30 days of the date of this Order, Auxier shall file with the Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 30th day of September, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 10288-X DATED SEPTEMBER 30, 1996

The following rates and charges are prescribed for the customers served by Auxier Road Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
First Mcf (Minimum Bill)	\$5.11	\$2.8869	\$7.9969
All Over 1 Mcf Per Mcf	4.2599	2.8869	7.1468